LEGISLATIVE ASSEMBLY OF
BRITISH COLUMBIA

Office Of The Auditor General 1998/99 Annual Report: Auditing In The Public Interest

Select Standing Committee on
Public Accounts
Report

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National Library of Canada Cataloguing in Publication Data
British Columbia. Legislative Assembly. Select Standing Committee on Public Accounts.
Office of the Auditor General 1998/99 annual report: auditing in the public interest

"Select Standing Committee on Public Accounts report."
Issued as the Standing Committee's 9th report of the 4th Session, 36th Parliament.
Cf. Covering letter.
Submitted to Legislative Assembly of British Columbia. Cf. Covering letter.

ISBN 0-7726-4477-2

1. British Columbia. Office of the Auditor General. Annual report. 2. British Columbia. Office of the Auditor General - Evaluation. 3. Finance, Public - British Columbia – Auditing - Evaluation. I. Title.

HJ13.B7B74 2001 352.4'3'09711 C2001-960040-4

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101-03887/

November 7, 2000

To the Honourable,
The Legislative Assembly of
the Province of British Columbia
Victoria, British Columbia

Honourable Members:

We have the honour to present the *Ninth Report* of the Select Standing Committee on Public Accounts for the Fourth Session of the Thirthy-Sixth Parliament.

The *Ninth Report* covers the work of the Committee on the matter **Office Of The Auditor General 1998/99 Annual Report: Auditing In The Public Interest.**

Respectfully submitted on behalf of the Committee.

Mr. Rick Thorpe, MLA
Chair

Ms. Evelyn Gillespie, MLA
Deputy Chair

Introduction

In June 1999 the Auditor General released his 1998-99 Annual Report to the Legislative Assembly, entitled "Auditing in the Public Interest." The report describes the Office's role, functions, financial and operating performance, as well as information about future plans and strategic directions. Your committee was pleased to receive a presentation from the Auditor General in January 2000 regarding the activities of the Office during the fiscal year 1998-99. The presentation was made in conjunction with information provided to the committee about the office's corporate plan for 1999-2002 and business plan for 2000-01.

This is the first time that, for information purposes, the office's corporate and business plans have been tabled with the committee. The Auditor General indicated that he was tabling the documents for two reasons: first, to fulfill his obligation to be accountable to the Legislature and, second, to increase transparency in the annual budget process as identified by the budget process review panel. The Auditor General believes that all future business plans and resource requests of the Office should be provided, directly or through a legislative committee, to the Legislative Assembly prior to the estimates debate.

Role and Functions of the Office of the Auditor General

The Auditor General noted that his role is to provide the Legislative Assembly with regular assessments of the government's operations and programs, and to make recommendations based on these assessments, with the aim of making government and the people that manage government perform better. To carry out this role, the Office of the Auditor General focuses on three core activities: assessing government accountability and performance, advising on government accountability and performance, and performing effectively as an Office. The Office gives assessments of government accountability and performance both by reviewing government accountability information and by reviewing programs of government directly.

Funding and Resources for the Office of the Auditor General

Your committee discussed the funding level of the Office of the Auditor General in relation to the current level of audit coverage and the Office's ability to retain qualified staff.

The Auditor General informed the committee that the Office's resources are not sufficient to allow for an adequate level of audit coverage and indicated that an increase in funding of $1.08 million would be required to restore audit coverage to an acceptable level.

Factors noted by the Auditor General as increasing the need for wider audit coverage in recent years are:

- the significant increase in the size of government as a whole over the past ten years;
- weaker controls due to downsizing in certain areas of government; and
- new models of service delivery, such as regionalization, public-private partnerships, contracting for service delivery and e-commerce.

The committee was made aware that while the number of financial statement audits has significantly increased over time, the number of performance and compliance audits has decreased. The Auditor General advised that the number of performance and compliance audits the Office has been able to carry out between 1993-94 and 1998-99, such as six audits in the health care sector, is insufficient. As a further example of the effect of limited resources

on audit coverage, the Auditor General noted that of the government's financial and management systems that the Office considers mission-critical, the Office's capacity only allows for three or four audits per year.

Under the terms of the Memorandum of Understanding between the Auditor General and the Ministry of Finance and Corporate Relations, the Office of the Auditor General charges audit fees to all government organizations audited by the Office, excluding central government. The Auditor General indicated that while the Office's per-hour chargeout rate is lower than market value, the Office might undertake more extensive work than a private sector auditor, requiring more hours.

The Auditor General informed the committee that although his Office had an authorized full-time equivalent (FTE) level of 95, the Office's legislative appropriation plus audit fees only allowed a staffing level of 86 FTEs. As well, due an anticipated 2 percent increase in salaries for all civil servants, the Office's ability to hire was expected to drop to 84 in 2000-01. In October 2000 the committee learned that the current level of FTEs at the Office of the Auditor General was 82. The Auditor General also expressed concern about the difficulty of attracting and maintaining highly qualified staff, particularly due to the differential in salaries and benefits between government and the private sector.

Advocating for a New Auditor General Act

The Auditor General also discussed with the committee his proposal for amending the *Auditor General Act*, R.S.B.C. 1996, c. 23. Under the changes proposed by the Auditor General, annual resourcing of the Office would be dealt with by an all-party committee of the Legislature rather than by Treasury Board. The Auditor General believes this would provide a more appropriate accountability mechanism for the Office of the Auditor General. The Auditor General highlighted the fact that such an arrangement is in place in other jurisdictions.